City of Bell Financial Review Summary
Sponsored by Supervisor Gloria Molina, First Supervisorial District
Presented by Los Angeles County Department of Auditor-Controller
January 6, 2011

BACKGROUND

Directed by Supervisor Gloria Molina based on concerns whether the City of Bell has the financial resources to provide current and/or core public services to its residents.

RESIDENTS' FREQUENTLY ASKED QUESTIONS/CONCERNS

- Who is responsible for lowering my property taxes?
- Will the level of services provided by my City change in the future?
- Is my City government financially sound?

LOS ANGELES COUNTY AUDITOR-CONTROLLER'S RESPONSES

- The Bell City Council controls the property tax rates of the City. In California, a Charter City (such as Bell) governs itself; in most respects, it is independent of County or State supervision. Cities and Counties are separate legal entities and Counties do not have authority over imposed property taxes.
- It depends on the decisions made by Bell City official; based on the City's financial condition, they will need to decide on service levels.
- The Bell City's financial condition is not sound. We estimate that it is operating at a deficit.

CITY OF BELL FINANCIAL REVIEW RESULTS

The City of Bell does not have enough money. The expenses exceed the revenue by $2.2 million, or 14.5% of the overall expenditure, if the City continues to provide all current services. The expenses will also exceed the revenue by $.4 million, or 3.3% of the overall expenditure, if the City reduces its Community Services programs.

The following is City of Bell's estimated annual Revenue and Expenses:

	All Services	Core Services*
Revenue/Income	$12,749,887	$12,544,787
Expenses	(14,905,562)	(12,968,627)
Deficit	($ 2,155,675)	($ 423,840)
Deficit %	(14.5%)	(3.3%)

* Without Community Services' programs (i.e. most Parks and Recreation activities).

Presenter's note: These estimates are based on the best available information. In making these estimates, the Auditor-Controller reduced the high salaries that were paid to some City employees in the past, and reduced the excessive collections from car impounding and business licenses fees and other fees; our estimates were significantly lower than the revenue received in prior years.

% OF EXPENDITURES BY SERVICE TYPES

	All Services		Core Services	
GENERAL GOVERNMENT	$ 3.8 Million	25%	$ 3.8 Million	29%
PUBLIC SAFETY	$ 8.5 Million	57%	$ 8.5 Million	65%
COMMUNITY (RECREATIONAL) SERVICES	$ 2.0 Million	14%	$ .1 Million	1%
PUBLIC WORKS	$ .6 Million	4%	$ .6 Million	5%
	$14.9 Million	100%	$13.0 Million	100%

SALARY CHANGES

The Auditor-Controller eliminated the high salaries paid under the prior administration in an attempt to have a more sensible and workable expenditure plan. However, such reductions in salaries did not lower Bell City's salary costs since the prior high salaries ($3.6 million) and employee benefits were inappropriately paid/recorded using other City funds.

OTHER ISSUES

Cash Balances: There is insufficient cash balance to offset the projected deficit. City management estimated only $300,000 cash balance as of December 13, 2010.

Other uncertainties: There are potential liabilities (e.g., potential lawsuits, etc.) and extraordinary/unexpected costs that were not included in this analysis.

CONCLUSION

1. Because the City of Bell does not have enough money to pay all its expenses, the City officials will have to make some difficult decisions. The City may have to cut expenses by:
   - Reducing cost across-the-board, i.e., reducing salaries and employee benefits (which currently represent 73% of total expenditures), reducing services or supplies;
   - Providing only core services;
   - Contracting for some City services.

2. City of Bell needs to build up cash reserves (rainy day funds) over time, if possible.

3. City of Bell needs to evaluate other ways to bring in additional revenue (e.g., do more to attract future business, leases, etc.).

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